

Message Text

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PAGE 01 BONN 05529 01 OF 03 281755Z
ACTION EUR-12

INFO OCT-01 EA-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-10 NSAE-00 USIA-15 XMB-04 OPIC-06
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 PA-02 /112 W
-----014534 281823Z /50

R 281744Z MAR 78
FM AMEMBASSY BONN
TO SECSTATE WASHDC 7085
DEPARTMENT TREASURY
INFO AMEMBASSY BERN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 03 BONN 05529

USEEC ALSO FOR EMBASSY, USOECD ALSO FOR EMBASSY

DEPARTMENT PASS FEDERAL RESERVE

E.O. 11652: N/A
TAGS: EFIN, GW
SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING MARCH 27)

REF.: BONN 3680

1. SCHMIDT SEES GNP GROWTH PROJECTION ENDANGERED BY
EXCHANGE RATE TURBULENCE:
IN AN INTERVIEW WITH THE WEEKLY QUICK, CHANCELLOR SCHMIDT
IS QUOTED AS SAYING THAT AT THE TIME THE FRG MADE ITS
ECONOMIC FORECAST EXCHANGE RATE TURBULENCE HAD
NOT BEEN SUCH AN IMPORTANT FACTOR AS IT BECAME SUBSE-
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PAGE 02 BONN 05529 01 OF 03 281755Z

QUENTLY. "FROM THAT POINT OF VIEW ONE MUST BE RATHER
CONCERNED THAT GROWTH COULD FALL SHORT FROM THE EXPECTA-
TIONS OF THE ECONOMIC REPORT". ASKED FOR HIS REACTION
TO THE CHANCELLOR'S OBSERVATION, ECONOMICS MINISTER
LAMBSDORFF TOLD THE WEEKEND PRESS THAT "THE FIGURES" DID
NOT YET JUSTIFY A DIFFERENT PROJECTION FROM THAT OF THE
GOVERNMENT. LAMBSDORFF NOTED THAT THE PROJECTIONS HAD

BEEN CONDITIONED ON EXCHANGE RATE STABILITY AND MODERATE
WAGE SETTLEMENTS AND SAW IN THE CHANCELLOR'S OBSER-
VATION "A CLEAR HINT TO LABOR AND MANAGEMENT" THAT
THESE CONSIDERATIONS HAD TO BE KEPT IN MIND.

2. TAX REVENUES SOAR:

ACCORDING TO PRELIMINARY STATISTICS RELEASED BY THE
FEDERAL MINISTRY OF FINANCE, TOTAL PUBLIC SECTOR TAX
REVENUES IN JANUARY/FEBRUARY 1978 EXCEEDED COMPARABLE
1977 LEVELS BY 9.5 PERCENT. THIS GROWTH RATE COMPARES
FAVORABLY WITH THE LATE FEBRUARY 1978 OFFICIAL
ESTIMATES (SEE BONN 3680) WHICH PLACED PROBABLE YEAR-
OVER-YEAR GROWTH IN 1978 AS A WHOLE AT 4.1 PERCENT.

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PAGE 01 BONN 05529 02 OF 03 281801Z
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FRB-01 INR-10 NSAE-00 USIA-15 XMB-04 OPIC-06
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 PA-02 /112 W
-----014572 281824Z /50

R 281744Z MAR 78
FM AMEMBASSY BONN
TO SECSTATE WASHDC 7086
DEPARTMENT TREASURY
INFO AMEMBASSY BERN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
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AMCONSUL FRANKFURT

UNCLAS SECTION 02 OF 03 BONN 05529

USEEC/OECD & EMB

3. BUNDESBANK FOREIGN POSITION:

THE BUNDESBANK'S NET FOREIGN RESERVES INCREASED BY
DM 0.5 BILLION DURING THE SECOND WEEK OF MARCH TO

TOTAL DM 93.0 BILLION. FOREIGN EXCHANGE HOLDINGS INCREASED BY DM 600 MILLION WHILE CLAIMS AGAINST THE EUROPEAN MONETARY FUND DECLINED DM 53 MILLION AND CREDITS TO FOREIGN MONETARY AUTHORITIES DECLINED DM 63 MILLION.

4. BANK LIQUIDITY:
OVER THE SAME TIME, BANK LIQUIDITY DECLINED BY DM 1.7 BILLION. PRIMARILY RESPONSIBLE FOR THE DECLINE WAS A BUILD-UP OF DM 4.5 BILLION IN ASSETS OF PUBLIC AUTHORI-
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PAGE 02 BONN 05529 02 OF 03 281801Z

TIES HELD AT THE BUNDESBANK, RESULTING FROM TAX RECEIPTS FROM THE MID-MARCH TAX DATE. LIQUIDITY INCREASES RESULTED FROM A DECLINE IN CURRENCY IN CIRCULATION IN THE BANKS' HOLDINGS OF MINIMUM RESERVES AT THE BUNDESBANK, DM 0.1 BILLION IN RETURNS OF MONEY MARKET PAPER TO THE BUNDESBANK AND OTHER UNIDENTIFIED FACTORS INCREASED LIQUIDITY BY DM 0.7 BILLION. BANKS FINANCED THE LOSS BY BORROWINGS FROM THE SPECIAL REDISCOUNT FACILITY (DM 2.7 BILLION). LOMBARD BORROWINGS OF DM 1.2 BILLION WERE REPAYED AND REDISCOUNT BORROWINGS WERE REDUCED DM 0.1 BILLION.

5. FOREIGN EXCHANGE MARKET:
FOR THE PERIOD MARCH 21 THROUGH MARCH 28 FRANKFURT SPOT AND FORWARD DOLLAR RATES WERE AS FOLLOWS:

	SPOT DOLLARS			FORWARD DOLLARS	
	(IN DM PER 1.--)			(IN PCT. PER ANNUM)	
	OPENING	FIXING	CLOSING	ONE-MONTH	THREE-MONTH
MAR. 21	2.0475	2.0467	2.0490	-3.8	-4.0
22	2.0455	2.0431	2.0420	-4.1	-3.9
23	2.0410	2.0372	2.0400	-3.5	-3.9
24	GERMAN HOLIDAY				
27	GERMAN HOLIDAY				
28	2.0218	2.0260	N.A.	N.A.	N.A.

6. MONEY MARKET:
FOR THE PERIOD FRANKFURT INTERBANK MONEY RATES WERE AS FOLLOWS:

	CALL MONEY			ONE-MONTH	THREE-MONTH
MAR. 21	3.50-3.60			3.55	3.50

UNCLASSIFIED

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PAGE 03 BONN 05529 02 OF 03 281801Z

22	3.50-3.65	3.55	3.50
23	3.50-3.65	3.55	3.50
24	GERMAN HOLIDAY		
27	GERMAN HOLIDAY		

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PAGE 01 BONN 05529 03 OF 03 281815Z
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SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 PA-02 /112 W
-----014668 281823Z /50

R 281754Z MAR 78
FM AMEMBASSY BONN
TO SECSTATE WASHDC 7087
DEPARTMENT TREASURY
INFO AMEMBASSY BERN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
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UNCLAS SECTION 03 OF 03 BONN 05529

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7 BOND MARKET:
(DATA ON BOND YIELDS NORMALLY REPORTED ON THE BASIS
OF PRESS ACCOUNTS WERE NOT AVAILABLE DUE TO THE
HOLIDAY ON MONDAY).

8. FOREIGN DM BONDS:
THE DEUTSCHE BANK IS CURRENTLY ARRANGING A DM 200
MILLION LOAN FOR MEXICO. THE COUPON IS EXPECTED TO
BE 6 PERCENT, THE MATURITY WILL BE 6 YEARS NON-CALLABLE.
THE FINISH STEEL FIRM RAUTARUUKKI OY, HELSINKI PLANS
TO OFFER A DM 50 MILLION LOAN WITH A 10-YEAR MATURITY.

REPAYMENTS WILL BE MADE IN 5 ANNUAL INSTALMENTS BEGINNING
1984. THE COUPON IS EXPECTED TO BE 5 3/4 PER-
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PAGE 02 BONN 05529 03 OF 03 281815Z

CENT. THE KINGDOM OF THAILAND WILL PLACE PRIVATELY
BONDS OF DM 50 MILLION. THE LOAN WILL CARRY A COUPON
OF 6 1/4 PERCENT AND A MATURITY OF 5 YEARS NON-CALLABLE.

9. ECONOMIC INDICATORS PUBLISHED THIS WEEK:

NON-SEASONALLY ADJUSTED FIGURES

1977		1978	

NOV.	DEC.	JAN.	FEB.
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INSOLVENCIES

TOTAL	777	806	779	--
PERCENT CHANGE				
FROM PREVIOUS				
YEAR'S LEVEL	0.1	0.9	-7.5	--

NEWLY LICENSED

PASSENGER CARS

THOUSANDS	186.3	182.1	206.0	205.0
PERCENT CHANGE				
FROM PREVIOUS				
YEAR'S LEVEL	5.2	18.0	13.5	-1.7

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